



BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.

THE SHORE LINE TROLLEY MUSEUM

POLICY NO.: 306 – FINANCE

POLICY: INVESTMENT POLICY

Branford Electric Railway Association, Inc. Mission

The mission of The Branford Electric Railway Association, Inc. d.b.a. The Shore Line Trolley Museum is to share with a diverse audience the story of the trolley and related forms of public transportation in their historical context.

Finance Department Mission

The Finance Department of the Branford Electric Railway Association, Inc. is committed to timely, accurate and responsible financial management. The Finance Department works with the Executive Director, staff, and board to ensure that all financial matters are managed with care, integrity, and consistency within the best interests of the Branford Electric Railway Association, Inc.

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1.0 INTRODUCTION

This statement of Investment Policy has been adopted by the Board of Trustees of the Branford Electric Railway Association, Inc. to provide guidelines for the investment and management of the Corporation's financial assets.

For the purposes of managing investment risk and optimizing investment returns within acceptable risk parameters, funds held by the Branford Electric Railway Association, Inc. will be divided into five separate investment pools. The five investment pools shall be called the "Operating Fund", the "Payroll Fund", the "Restricted Reserve Fund", the "Unrestricted Reserve Fund" and the "Endowment Fund".

Except for the Endowment Fund, it is not the Branford Electric Railway Association, Inc.'s policy to build cash for reasons of investment purposes other than proper execution of its mission. Business operating cash needs can vary providing the opportunity for the Branford Electric Railway Association, Inc. to hold cash at varying maturities and thus maximize returns.

All investments by the Branford Electric Railway Association Inc. shall conform to the Connecticut Uniform Prudent Management of Institution Funds Act, §45a-526 to § 45a-531i (or successor) of the Connecticut General Statutes.

2.0 PROCEDURES

1. The following procedures will be followed to ensure the investment policy statement is consistent with the current mission of the Branford Electric Railway Association, Inc. and accurately reflects current financial condition:
 - A. This investment policy shall be reviewed annually by the Finance Committee, which will recommend any necessary revisions to the Board of Trustees.
 - B. The Board of Trustees will have final approval on any changes to the policy.

3.0 FUNDS

The Branford Electric Railway, Association, Inc. shall establish the following funds.

Operating Fund

The purpose of the Operating Fund is to provide sufficient available cash to meet the routine day-to-day financial obligations of all operations of the Branford Electric Railway Association, Inc. in a timely manner.

- A. In December of each year, the Branford Electric Railway Association, Inc.'s Finance Committee in concert with the Treasurer will recommend to the Board of Trustees and the Executive Director a dollar amount equal to cover current operating expenses to be maintained in the Operating Fund.

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Payroll Fund

The purpose of the Payroll Fund is to provide sufficient available cash to meet the payroll obligations of the Branford Electric Railway Association, Inc. in a timely manner.

- A. The Payroll Fund shall contain a dollar amount equal to current expenses.

Restricted Reserve Fund

The purpose of the Restricted Reserve Fund is to place in reserve those funds which have been donated to The Branford Electric Railway Association, Inc., on condition, or furtherance of some goal. Such Restricted Reserve Funds shall be of a temporary nature consistent with the conditions set forth by the donor, grantor or the Board of Trustees for those Restricted Reserve funds established by it. The establishment of a Restricted Reserve Fund is an essential part of the financial management of the Branford Electric Railroad Association, Inc., ensuring that funds will be available for expenditure consistent with the conditions set forth by the donor, grantor or Board of Trustees.

- A. As necessary, the Executive Director will withdraw all earned grant and contract income from the Restricted Reserve Fund(s), unless otherwise prohibited by the terms of the grant/gift and place them in the Operating Fund. Earned income shall be defined to be those fees Branford Electric Railway Association, Inc. is legally entitled to because of actual expenditures against budget or grant funds or proceeds from investment.

Unrestricted Reserve Fund

The purpose of the Unrestricted Reserve Fund is to place in reserve those funds which have been deemed by the Board of Trustees of the Branford Electric Railway Association, Inc. to be temporarily set-aside on condition, or furtherance of some goal. The establishment of an Unrestricted Reserve Fund is an essential part of the financial management of the Branford Electric Railroad Association, Inc., ensuring that funds will be available for expenditure consistent with the conditions set forth by the Board of Trustees.

- A. As necessary, the Executive Director will withdraw amounts from the Unrestricted Reserve Fund as well as any income earned from the Unrestricted Reserve Fund and place them in the Operating Fund. Earned income shall be defined to those fees Branford Electric Railway Association, Inc. is legally entitled to because of actual expenditures against budget.

Endowment Fund

The Endowment Fund is a permanently restricted fund. The Endowment Fund shall be governed by Policy No. 304 – Endowment Fund as adopted by the Board of Trustees.

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The establishment of the Endowment Fund is an essential part of the financial management of the Branford Electric Railroad Association, Inc. The Endowment Fund provides a financial base for The Branford Electric Railway Association, Inc.

4.0 DIVERSIFICATION

Investments of each Fund will be diversified to limit the risk of loss resulting from the concentration of assets in a specific type of investment, specific maturity, specific issuer or sector unless the Finance Committee prudently determines that, because of special circumstances, the purposes of the Fund are better served without diversification. Such determination will be recommended to the Board for approval. The Finance Committee shall review the diversification strategy periodically, provided, however, that it shall review any decision to not diversify as frequently as circumstances require but, at a minimum, annually.

5.0 INVESTMENT OF FUNDS

The Finance Committee will recommend to the Board of Trustees, the amount of the various funds which could be invested by the Museum.

If an Investment Advisor is to be used to invest a portion of the Branford Electric Railway Association, Inc.'s funds held in Restricted Reserves, Unrestricted Reserves and/or the Endowment Fund, the Finance Committee will recommend the selection of an Investment Advisor to the Board of Trustees.

The Finance Committee, in consultation with the Investment Advisor, if any, and the Branford Electric Railway Association Inc.'s Executive Director, will determine a periodic asset allocation of the funds set aside for investment. The asset allocation will be based on a thorough review and discussion of the associated risks the Finance Committee and the Treasurer, on behalf of the Branford Electric Railroad Association, Inc., determines appropriate with due regard to the mission. Included will be a thorough discussion of appropriate investment objectives and what targeted rate of return might best meet these objectives. Resultant specific mutual fund recommendations by the Investment Advisor will also be reviewed and approved by the Finance Committee.

The Finance Committee will meet minimally semi-annually with the Investment Advisor to review the objectives and to be kept informed about trends in the economy, and in the financial markets. It is recognized that market shifts may require the Investment Advisor to recommend rapid changes in market position. These changes will be handled by a Finance Committee conference call set up by the Executive Director or the Chairperson of the Finance Committee. The Treasurer is a required participant for any conference call convened for this purpose. All such changes shall be by a majority agreement by members of the Finance Committee participating on the conference call. Any changes to the investment portfolio made as a result of such conference call shall be reported to the Board of Trustees within 48 to 72 hours.

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6.0 GENERAL FUND INVESTMENT GUIDELINES

The Finance Committee, Treasurer, Executive Director and any Investment Advisor, if any, retained by the Branford Electric Railroad Association, Inc. with Board approval, shall recommend the investment of the Branford Electric Railway Association, Inc.'s funds to the Board of Trustees within the following parameters:

Investment Objectives

Recognizing the type of fund, amount in the fund, the purpose of such fund, restrictions on the fund, if any, placed on the fund as well as the projected timeline for expenditure of the funds.

The investment objectives of The Branford Electric Railway Association, Inc. are:

1. Preservation of capital;
2. Liquidity;
3. Growth of capital;
4. To optimize the investment return within the constraints of (1), (2) and (3) above.

Allowable Investment Types

1. Interest bearing checking accounts in federally insured banks and savings and loans not to exceed federally insured amounts;
2. Federally insured Certificates of Deposit not to exceed \$250,000 per institution;
3. Treasury Bills;
4. Mutual Funds;
5. Exchange Traded Funds;
6. Equities (including common stock, preferred stock, convertible securities and other equities, whether traded on an exchange or not publicly traded);
7. Fixed income securities;

Maturity

Subject to the amount of available funding, the recommended maturity for the Operating, Payroll, Restricted and Unrestricted Funds are as follows:

1. Operating Fund: Maturities on investments for the Operating Fund shall generally be limited to 60 days or less.
2. Payroll Fund: Maturities on investments for the Operating Fund shall generally be limited to 60 days or less.
3. Restricted Reserve Fund: The maturities on investments for the Restricted Reserve Fund shall invest in securities appropriate for a one to three-year investment horizon.
4. Unrestricted Reserve Fund: The maturities on investments for the Restricted Reserve Fund shall invest in securities appropriate for a one to three-year investment horizon.
5. Endowment Fund: Please refer to Section 7.0 Endowment Fund Investment

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Notwithstanding these guidelines, available funds in the Operating, Payroll, Restricted Reserve, Unrestricted Reserve, in excess of what is required, may be invested for longer terms than specified above.

7.0 ENDOWMENT FUND INVESTMENT

Endowment Fund Investment Objectives

The investment objectives of the Endowment Fund should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. It is understood that fluctuating rates of return are characteristic of the securities markets. The greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in the fund performance, the expectations of the fund will be to achieve the following objectives over a three to five year time period:

1. The portfolio's total return should exceed the increase in the Consumer Price Index by 2% per year.
2. The portfolio's total return should exceed the increase in the Treasury Bill Index by 1% per year.
3. The portfolio should be invested to minimize the likelihood of low negative total returns, defined as a one-year return worse than negative 5%.

Endowment Fund Investment Guidelines

The investment policies and restrictions presented in this statement serve as a framework to achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with efforts to attain overall objectives. The Finance Committee, Treasurer, in consultation with the Executive Director and the Investment Advisor, if any, has broad responsibility, with Board approval, to shift the commitment of assets among assets classes and maturities within the constraints of this Investment Policy.

Endowment Fund Fixed Income Investment

Investment in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The investments may be selected from U.S. corporate debt securities and obligations of the U.S. Government, States and Local Municipalities. These investments will be subject to the following limitations:

1. The weighted average maturity of the portfolio must be 5 years or less.
2. Investments in securities of a single issuer (with the exception of the U.S. Government and its agencies) must not exceed 10% of the portfolio at cost.

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8.0 PROHIBITED INVESTMENTS

The following investments are prohibited:

1. Securities issued by companies that knowingly discriminate based on sex, race, color, religion, creed, age, national origin, ancestry, pregnancy, marital status or parental status, sexual orientation, or disability;
2. Letter stock;
3. Penny stock;
4. Options, except in mutual funds;
5. Commodity or futures trading, except in mutual funds where the trading objective is to preserve principal;
6. Short selling;
7. Margin transactions;
8. Foreign stocks unless traded as American Depositary Shares (ADRs) listed on an exchange subject to regulation by the United States Securities and Exchange Commission (SEC);
9. Foreign bonds, unless the bonds are dollar denominated.
10. Private placements.

9.0 REPORTING

The Treasurer shall prepare a report to the Finance Committee on a semi-annual basis. The report shall contain a schedule of holdings, asset class percentages, and performance compared to the objectives. The report will, in addition, list all transfers of income generated by the Endowment Fund to the Operating, Payroll, Restricted Reserve and Unrestricted Reserve Funds. The Finance Committee shall review the report, present the report to the Board of Trustees and make recommendations for change.

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APPENDIX A—Document History

03-09-2019 Adopted by The Branford Electric Railway Association, Inc. Board of Trustees.